

## 1.3 THE BUDGET PLAN UPDATE

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### Overview

In the 2009-10 Budget, the Government developed its Budget Plan in response to the impact of the global financial crisis on the Territory's finances. The objective of the Budget Plan was to return the budget to surplus over a longer time frame, with flexibility to respond to changing circumstances.

The 2009-10 Budget Plan foreshadowed savings commencing in 2010-11 to return the Budget to surplus in 2015-16. This target was advanced by two years to 2013-14 in the 2010-11 Budget, and subsequently retained in the 2011-12 Budget.

Since the 2011-12 Budget, the Territory's economy has moderated further due to the Commonwealth Government's need for stronger fiscal consolidation. Revenues are forecast to soften, and expenses will increase over the previous forecasts.

This Budget reverts to the original target.

The Government's Plan seeks to ensure that no sharp and unnecessary adjustments are made, and that priority services to the community are preserved and in fact enhanced where necessary.

The Budget adheres to the principles and objectives of the Budget Plan. It continues to adopt a measured approach to return to surplus.

Capacity to deliver priority services is sustained through improvements in efficiency. New recurrent initiatives are fully offset by savings.

The underlying expenditure trajectory has been lowered over the Budget Plan period with compound annual average growth rate being reduced by around 1 per cent per annum.

### The Budget Plan Objectives

The objectives of the Budget Plan are to:

- adopt a measured approach to addressing the deficit;
- achieve a balanced budget by the target year of 2015-16;
- identify annual saving targets over the forward estimates period that set the aggregate revenue and expenditure trajectories to meet over the planning period;
- ensure that in restoring the surplus, core services, community safety, and risk mitigation and protection are maintained to the high standard the community expects; and
- plan for adequate growth in expenditures to meet the needs of a growing population, and in particular, in the priority service areas such as health and education.

## **Budget Plan Targets and Update**

Aggregate revenues and expenses have deteriorated since the 2011-12 Budget.

The fiscal consolidation required by the Commonwealth Government is stronger than previously envisaged due to its weaker than forecast revenues in 2011-12 and 2012-13.

Own source revenues are forecast to soften, due to the moderation of housing market, and commercial activities mainly related to land supply and development.

The volatility in the financial markets has also impacted on the superannuation investment returns, and interest earnings.

Adhering to the principles and objectives of the Budget Plan, the Government has accepted deterioration in the Budget Net Operating Balance, in the context of softening economy and revenues. The focus at this time is to support the economy, jobs and services to the community.

The Budget reverts to the original target of return to surplus in 2015-16.

The Budget, however, maintains fiscal discipline. Capacity to respond to growth in demand for priority services is provided through efficiency improvements. New recurrent initiatives are fully offset by savings.

Under the Plan, the savings task was to be progressively undertaken, and the expenditure and revenue trajectories were projected to converge through expenditure growth being constrained below the revenue growth rate.

Aggregate revenues across the budget and forward estimates period grow at a compound annual average rate of 4¾ per cent. This is below the original planning parameter of 5¼ per annum.

Commensurately, expenditure growth has been constrained to 4 per cent, again ½ per cent below the original planning parameter.

The savings incorporated in the Budget lower the expenditure trajectory by around 1 per cent.

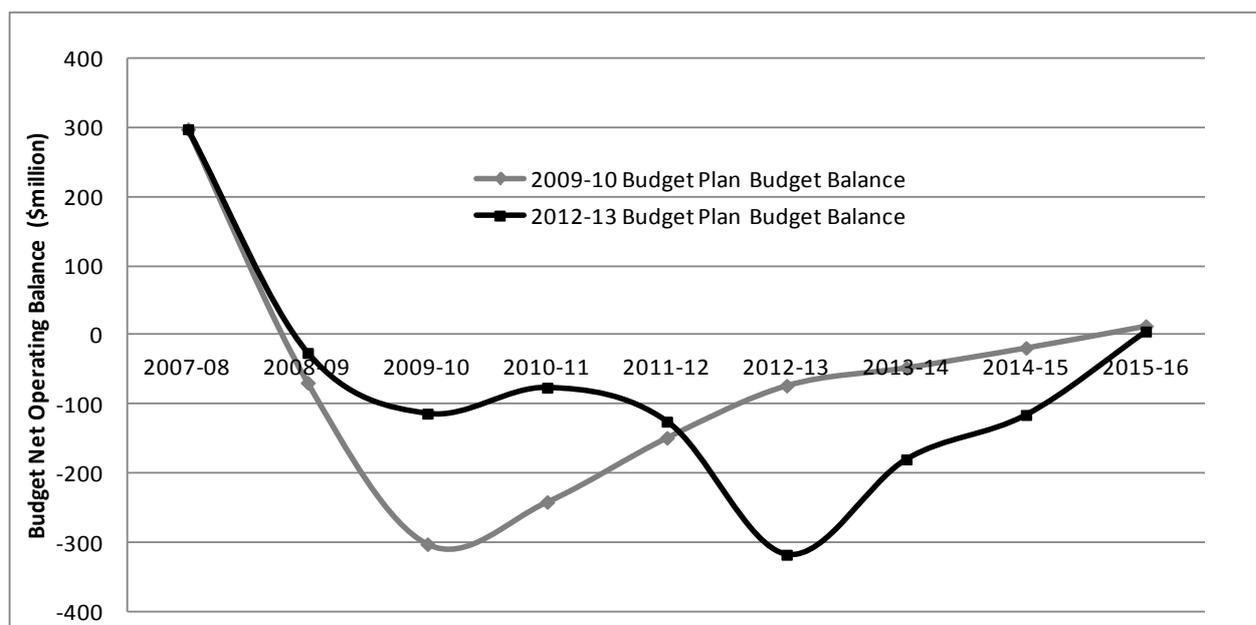
Table 1.3.1 shows Government savings implemented since the 2009-10 Budget.

**Table 1.3.1  
2012-13 and Past Budget Savings Initiatives**

<b>Across Government Savings</b>	<b>2012-13 \$m</b>	<b>2013-14 \$m</b>	<b>2014-15 \$m</b>	<b>2015-16 \$m</b>
<i>2009-10 Budget</i>				
Wages Policy	35	35	35	35
Efficiency Dividend (commencing 1 July 2010)	19	19	19	19
<i>2010-11 Budget</i>				
Efficiency Dividend <sup>1</sup> (commencing 1 July 2011)	14	22	22	22
Treasurer's Advance Reduction	8	8	8	8
Deferral of Tree Planting	4	0	0	0
<i>2011-12 Budget</i>				
Savings Initiative	38	38	40	40
<i>2012-13 Budget</i>				
Agency Savings	25	37	46	54
Ceasing Initiatives	2	4	5	7
<b>Total Savings</b>	<b>145</b>	<b>163</b>	<b>175</b>	<b>185</b>

The aggregate operating deficits across the Budget Plan periods from 2009-10 to 2015-16 remain consistent with the original Budget Plan.

**Figure 1.3.1  
General Government Sector Net Operating Balance**



<sup>1</sup> Revised in the 2011-12 Budget

